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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

February 14, 2011

CERTIFIED RETURN RECEIPT
7009 3410 0001 4203 1379

Nicole Wobbe-Espinoza
Star Stone Quarries
4040 South 300 West
Salt Lake City, Utah 84107

Subject: Evaluation of Reclamation Surety, Star Stone Quarries, Rosebud Quarry, M/003/0026, Box Elder County, Utah

Dear Ms. Wobbe-Espinoza:

The Division of Oil, Gas and Mining's last reclamation cost estimate for the Rosebud quarry was completed in 2006 and escalated to 2011 dollars, so the reclamation surety amount is now due for review and adjustment. The Division may adjust the amount of reclamation surety as the result of a periodic review taking into account inflation/deflation based on an acceptable cost index (R647-4-113.6).

The adjusted amount shown on the attached spreadsheet is \$81,900.00, an increase of \$6800.00 from the current surety of \$75,100.00.

The surety may be posted in the form of a letter of credit, cash, a certificate of deposit, or a corporate surety, either for the entire or the increased amount. In the case of a surety bond, you could submit a rider to the existing bond.

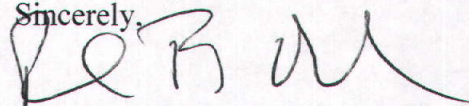
Please furnish the additional reclamation surety no later than April 18, 2011. In addition, the permit fee of \$500.00 is past due, and approval to mine is suspended until the fee is paid.

The Division also requests that you review the current Notice of Intention to Conduct Large Mining Operations (NOI) is adequate and reflects the current operation conditions. Any necessary changes should be addressed by submitting an amendment to the NOI.

Star Stone Quarries
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Thank you for your cooperation. Please call me at 801-538-5261 or e mail me at paulbaker@utah.gov if you have questions about this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. B. Baker', with a stylized flourish at the end.

Paul B. Baker
Mining Program Manager

PBB:pb

Enclosure: Escalation spreadsheet

cc: lgarahan@blm.gov, oabeyta@blm.gov

P:\GROUPS\MINERALS\WP\M003-BoxElder\M0030026-Rosebud\Bond\escalate-02082011.doc

| | | | |
|--------------------------|--------------------------|---------------------------------|-------------|
| Rosebud Mine | M/003/0026 | | |
| Surety Escalation | February 8, 2011 | | |
| | Percentage increase/year | Surety amount in <year> dollars | |
| 2003 | 1.71% | 1.0171 | |
| 2004 | 0.84% | 1.0084 | \$0.00 |
| 2005 | 3.99% | 1.0399 | \$0.00 |
| 2006 | 5.44% | 1.0544 | \$69,060.00 |
| 2007 | 2.12% | 1.0212 | \$72,816.86 |
| 2008 | -3.40% | 0.966 | \$74,360.58 |
| 2009 | 2.90% | 1.029 | \$71,832.32 |
| 2010 | 1.80% | 1.018 | \$73,915.46 |
| 2011 | | | \$75,245.94 |
| 2016 | | 1.017 | \$81,863.03 |
| Rounded to nearest \$100 | | | \$81,900.00 |

Note: The surety amount is listed in the row of the year in which it was calculated.
The escalation factor for a year is applied to the surety amount to take it to the next year.